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Risk Manager

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Insurance certificates: the key to effective risk management

If your business hires contractors and other vendors, it may be important for you to confirm that these vendors have appropriate insurance coverage. In the event of a problem caused by the work of a hired subcontractor, you may be held liable if that vendor does not have proper coverage. One key element in an effective risk management program is to maintain an accurate and complete record of all **insurance certificates**, which are documents that detail both the amounts and types of insurance held by an individual or a business. Here are a few hints to help you get organized:

- Establish a risk management department or group to manage incoming contracts, agreements, and insurance certificates. Employees working in this department should be responsible for receiving and reviewing insurance certificates.
- Keep photocopies of all insurance certificates and file the

original certificates with the appropriate contracts, purchase orders, and agreements.



- Create a filing system to track and monitor insurance certificates, and establish procedures to promote efficiency when receiving and reviewing updated insurance information. It is often recommended that businesses

establish a schedule of certificate follow-ups, based on the nature of the work and the relationship with the business from which a certificate is requested. For instance, if a company establishes a six-month working relationship with a contractor, it may be advisable to obtain a certificate prior to commencement of the work and again at three months. In many cases, especially where the risk of loss is small, an annual check will suffice.

These simple steps toward organizing insurance certificates may help you control your business risks and avoid any liability associated with other vendors with whom you work. As your business grows and expands with new partners, it is important to review your insurance periodically to determine the coverage that is right for you. For assistance with your insurance certificate management program, contact one of our qualified insurance professionals.



Did You Know?

Auto theft: how to avoid becoming a victim

Auto theft is a common and costly occurrence. A motor vehicle is stolen every 28.8 seconds in America, according to the FBI's 2007 *Uniform Crime Report*. Many stolen vehicles are never found, and those that are recovered are often stripped, vandalized, or destroyed. While new car models come out each year with innovative strategies for deterring theft, the bottom line is that every vehicle owned by your business is at risk of theft.

Insurance Coverage

Your commercial auto insurance policy will cover vehicle theft, provided you have comprehensive coverage. This protection, which is optional, will pay for the loss of a vehicle or for stolen components, such as airbags or xenon headlights, which are popular black market items for auto thieves.

The cost of comprehensive coverage generally depends on your risk of loss, which is based on the type of car you own and where your business is located. However, discounts may be available in your state for the use of prevention methods, such as antitheft devices and auto-recovery systems. Bear in mind that comprehensive insurance also covers your business vehicle in the event of fire, vandalism, and weather-related damage.

Prevention and Protection

While insurance offers a measure of financial protection against auto theft, there are other steps you can take to minimize your risk. The most cost-effective way to deter thieves is to use common sense: park in well-lit areas, close your windows, lock your doors, and never leave your keys in the ignition.

In addition, the National Insurance Crime Bureau (NICB), a nonprofit organization dedicated to combating insurance fraud and vehicle theft,

recommends using warning devices, vehicle immobilizers, and tracking systems to further protect your vehicle.

Warning Devices

Visible and audible anti-theft devices can make a thief think twice. Consider audible alarms, steering wheel locks, steering column collars, theft-deterrent decals, tire locks/deflators, and window etching. Many glass companies will etch a vehicle's identification number (VIN) into each glass surface for a nominal (or no) fee. Because these marked windows will need to be replaced in order to "remarket" the vehicle, it may be less appealing to car thieves.

Vehicle Immobilizers

Ignition protection prevents thieves from hot-wiring your vehicle. "Smart" keys, which are standard for some vehicles, ensure that an engine cannot be started without a specific key that contains a coded computer chip or radio frequency. Kill switches and fuse cut-offs are relatively inexpensive devices that immobilize the fuel or electrical systems, preventing the engine from starting. Starter, ignition, and fuel disablers, which are standard in some vehicles, short-circuit the electrical or fuel systems, thus preventing the engine from starting or causing it to shut off quickly.

Tracking Systems

When a vehicle with a recovery system is stolen, tracking devices emit signals to the police or a monitoring service. These systems make it easier and faster to recover a stolen vehicle. A quick recovery may help minimize damage.

The NCIB reports that only 62% of stolen vehicles are ultimately found. Taking preventive measures can help you beat these odds, and securing the proper insurance coverage can protect your business from financial loss in the event your vehicle is stolen. Give us a call for more information.

EAPs Help Employees Cope

The demand for employee assistance programs (EAPs) has grown, according to a 2009 survey conducted by the Employee Assistance Society of North America (EASNA), a trade association for EAP providers. The survey revealed an increase in employee requests for financial services (88.2%); appeals for help in coping with stress (82.4%); requests for legal services (41.2%); and inquiries regarding domestic violence or substance abuse (11.8%).

Advertising Spending

The Nielsen Company, a global information and media company, reported that U.S. advertising for 2008 was down 2.6% compared to 2007. Ad expenditures declined almost \$3.7 billion in 2008. Hispanic Cable TV (+9.6%) and Cable TV (+7.8%) were the only two media to show ad growth in 2008. Print media continued its anticipated decline, with local and national newspaper ad spends declining 10.2% and 9.6%, respectively. National magazines fell 7.6%, while local magazines dropped 3.7%.

International Cost-Cutting

A survey of nearly 100 human resources (HR) executives by KPMG LLP, a tax and advisory firm, revealed that business leaders are scrutinizing international assignment program budgets to cut costs. While 42% said this is a key area under review for cost-cutting, 51% had not made any substantial changes in the last six months, and 46% did not plan to make any changes next year. In addition, 26% increased their use of local talent instead of expatriates, and 33% plan to do so next year.

For Your Information



Monitor America's Recovery

The American Recovery and Reinvestment Act was designed to jumpstart our economy. Recovery.gov allows visitors to monitor the progress of the recovery and features information on how the Act is working, tools to help hold the government accountable, statewide recovery efforts, business owner information by state, and up-to-date information on the expenditure of funds. To learn more, visit www.recovery.gov.

IRS Online Business Classroom

The IRS provides small business owners with an online classroom filled with short video and audio presentations. Business owners can learn about a variety of topics, including employee ID numbers, IRS forms, retirement plans, phishing and tax scams, closing a business, relevant tax changes from the 2008 and 2009 Economic Stimulus Packages, etc. For more information, visit www.irs.gov/smallbusiness.

ADA Business Connection

The ADA Business Connection helps business owners comply with the Americans with Disabilities Act (ADA) and enhance their service to individuals with disabilities. Information is available in various formats to educate visitors about accessible design, tax incentives, service animals, communicating with the hearing impaired, common ADA errors and omissions, and much more. There is also a toll-free ADA Information Line for business owners to ask questions about ADA requirements. Visit www.ada.gov for more information.

Sexual harassment: zero tolerance

Increasingly, anti-discrimination laws are rigorously enforced. Therefore, the issue of sexual harassment is not one to take lightly. As victims gain confidence in reporting cases, businesses are becoming more vulnerable to lawsuits. Employers may now be held liable for any sexual harassment committed by supervisors, vendors, clients, or any other employee.

To complicate matters further, sexual harassment is difficult to define, and it is often an extremely sensitive issue. The U.S. Equal Employment Opportunity Commission (EEOC) offers the following definition:

“Sexual Harassment: Unwelcome sexual behavior characterized not only by blatant sexual harassment, but also by any subtle sexual behavior, which interferes with work performance or creates an intimidating, offensive environment.”

Despite this definition, the issue is far from black and white. As a result, keeping employees from crossing the sexual harassment “line” is not so simple. Complaints can cause hard feelings, decreased productivity, and damage to your company’s reputation, not to mention the expense of a lawsuit, should one be filed. Because of the ambiguity surrounding sexual harassment, judges may find it difficult to render verdicts, and they may be more apt to judge in favor of the victim. However, businesses with anti-harassment programs in place are often treated more favorably than those with none, so any measures you take may be well worth the effort.

Prevention:

- Set the tone through verbal warnings—and your own behavior—that sexual harassment will not be tolerated.
- Implement a written policy that takes a *direct* stand against sexual harassment in the workplace.

Include examples of the types of conduct that are prohibited.

- Consider a training program to teach your employees the facts about sexual harassment. This program may be revisited periodically to reinforce concepts and explain any new legislation concerning the issue.
- Designate two executives (preferably one of each gender) to handle sexual harassment complaints. Employees must have a way of expressing their concerns apart from consulting one supervisor, who could be part of the problem.



Take Action:

- Treat all complaints seriously and investigate them immediately. Gather any information that may be helpful in evaluating the claim by speaking with the complainant, as well as other employees. Use discretion, as maintaining confidentiality is of utmost importance.
- Confront the alleged offender, and be sure to listen to his or her side of the story.

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Office theft: cause for alarm

In response to growing concern about crime, nationwide efforts to curb burglary and other crimes have increased. Your business can take steps to help fight crime on *your* property by investing in a quality alarm system.

The National Burglar and Fire Alarm Association (NBFAA, 2009) reports that businesses without alarm systems are 4.5 times more likely to be burglarized than those *with* alarm systems. The most effective systems alert either a private security agency or the local police. However, even a basic, on-site alarm that activates a bell or siren can frighten an intruder or attract attention.

There are a wide variety of affordable alarm systems. Some detect motion, while others are activated by sound, heat, or vibration. The level of effectiveness depends on the quality of the alarm's components, installation, and maintenance. Before purchasing an alarm system, verify its reliability—in short, check references and obtain several written price quotes.

Take preventive action *before* it's too late. Be sure to protect your business with an effective alarm system, and always make sure you have adequate property insurance. Feel free to stop in or call us for more information.



Sexual harassment: zero tolerance

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- Evaluate all possibilities for corrective action to find the best possible resolution for the problem.

EPLI Insurance

Unfortunately, every business is vulnerable to sexual harassment suits. **Employment practice liability insurance (EPLI)** has been developed in response to this and other employment-related risks. An EPLI policy tailored to a company's needs, *combined* with a proactive employment practices program, will provide the best roadmap for guiding a business safely through employee claims.

Business owners who purchase EPLI policies should focus particular attention on policy language that will provide the appropriate coverage for their business. Policy terms that require understanding include the following:

- **Defined vs. undefined.** The use of specific definitions of coverage may provide a threshold for claims to be tested, i.e., coverage will be granted only for a claim if it meets the express definition contained in the policy. Conversely, undefined terms written more ambiguously in the policy may cover *all* claims, unless specifically excluded.
- **“Consent” vs. “confer.”** When choosing legal representation, the right of “consent” grants an insured business the veto power or authority to influence the insurance carrier's selection of counsel. Likewise, the right to “confer” allows a business owner to participate in the selection process *without* authority to make decisions.

EPLI coverage may also exclude suits involving employees hired under non-traditional employment arrangements, such as independent contractors, consultants, and volunteers, as well as certain claims involving employment-related defamation, misrepresentation or fraud, occupational health- and safety-related issues, and unfair labor practices.

Some EPLI coverage is offered only in certain states. Therefore, companies with operating facilities in several states should ensure that their policies provide coverage for *all* facilities.

Sound anti-harassment measures, in addition to proper insurance coverage, can help you manage the risks and protect your employees and your business. Please contact one of our qualified insurance professionals for more information.